

Serial No.: 09/588,389  
Paper Dated August 27, 2007  
Reply to Official Action of February 26, 2007

### STATUS OF CLAIMS

Claims 1 through 32 were pending in this application.

Claims 1 through 32 were subject to a restriction requirement.

Claims 29 through 32 were elected by Applicant for prosecution at this time.

Claims 29 through 32 stand rejected by the Examiner.

Claims 1 through 32 have been cancelled without prejudice.

Claims 33 through 57 have been added.

Claims 33 through 57 are now pending in this application.

### REMARKS

In view of the foregoing amendments and the remarks which follow, Applicant respectfully requests reconsideration of the subject application.

#### Personal Interview

Applicant wishes to acknowledge with thanks the courtesies extended by Examiners Kazimi and Weis in the interview held on August 23, 2007, at the United States Patent and Trademark Office with the Applicant and the undersigned. Applicant understands that the Examiner will issue an Examiner's Interview Summary with the next correspondence issued by the Patent and Trademark Office in this matter.

#### Request for Extension Under 37 CFR §1.136(a)

In connection with this Amendment, Applicant is concurrently submitting herewith a Request for a three month extension of time pursuant to 37 CFR §1.136(a).

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### **Restriction / Election**

Pursuant to the Examiner's restriction requirement, Applicant has elected Group 3, Claims 29 through 32, and has cancelled Claims 1 through 28, while reserving the right to prosecute such claims without prejudice in a later filed application.

### **Specification**

Applicant has amended Paragraph [0039] of the specification to correct a clerical error. Specifically, at line 4 of Paragraph [0039], Applicant has changed "Agency 3" to "Agency 19". This change is consistent with Agency 3 depicted in Figure 3 of the specification as well as other references to "Agency 3" in other portions of Paragraph [0039]. No new subject matter is believed to have been added to the specification or otherwise by this Amendment. Accordingly, Applicant respectfully requests amendment of the specification to reflect this change.

### **Additional Claims**

Applicant has cancelled Claims 29 through 32 (without prejudice and while reserving the right to prosecute such claims in a later related application) in favor of Claims 33 through 57, set forth above. It is believed that Claims 33 through 57 reflect certain novel aspects of a preferred embodiment of Applicant's invention, and are patentably distinct from the references of record.

Specifically, Applicant is unaware of a system for the satisfaction of a customer's initial financial liability or liabilities (such as, for example, a mortgage):

- (i) in which the customer may direct the investment of cash flows  
(such as, for example, a residual calculated value of said initial

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- liability) generated by a secondary liability, regardless of the current ownership of the initial or secondary liabilities;
- (ii) wherein the generated cash flows are attributable to customer's initial liability;
  - (iii) wherein the secondary liability is generated from a security (such as, for example, a default security) or other package of assets or implicit assets derived from a pool of initial liabilities of one or more customers; and
  - (iv) wherein the investment of the cash flows generated by the secondary liability generates a return on investment to the customer which may be used, in turn, by the customer to satisfy the customer's initial or other liabilities.

In view of the foregoing, Applicant submits that Claims 33 through 57 are believed to be patentably distinct from the references of record including United States Patent No. 5,644,727 to Atkins. Accordingly, Applicant submits that Claims 33 through 57 are in condition for allowance, and early and favorable action to that effect is earnestly solicited.

### **35 U.S.C. §102 Claim Rejections**

Claims 29 through 32 have been rejected as being anticipated by United States Patent No. 5,644,727 to Atkins (hereinafter "Atkins"). Claims 29 through 32 have been cancelled without prejudice, while reserving the right to prosecute such claims in a later related application. Nevertheless, Applicant traverses the rejection based on the Atkins reference, as well as distinguishes the claims currently of record for at least the following reasons:

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1. Atkins does not utilize a secondary liability generated from a security or other package of assets or implicit assets (such as, for example, a default security) derived from a pool of initial liabilities (such as, for example, a mortgage) of one or more customers for creating cash flow which may be invested by a customer to generate a return on investment which may in turn be utilized to satisfy customer's liability.

2. Atkins neither teaches nor suggests a financial product which permits the use of conventional liability products, such as mortgages. In fact, Atkins teaches away from the use of such conventional products. Specifically, Atkins teaches the use of a Home Owner's Managed Equity (HOME) mortgage, which is described as at Column 13, lines 39 through 51 of Atkins:

One of the elements of the account subsystem is a special type of mortgage loan, referred to as a Home Owner's Managed Equity (HOME) Mortgage, which is secured by Home Account <sup>TM</sup> assets and asset accounts 16 such as one or more of the individual's homes and other asset accounts. The subsystem also includes Home Account <sup>TM</sup> liabilities and credit facilities 18. Calculation of the total collateral is as follows. The Net Equity Total (NET) 20 is equal to the difference between the sum of all assets 16 and all liabilities 18, excluding the value of the individual's home and mortgage. The NET and the value of the individual's home(s), adjusted by appropriate loan to value ratios, are used as collateral for the HOME Account <sup>TM</sup> mortgage.

As stated, the HOME mortgage is clearly distinguishable from a conventional liability vehicle such as a mortgage. Accordingly, Atkins does not teach, and in fact teaches away from, the use of the conventional liability product claimed by Applicant.

3. The HOME Mortgage of Atkins does not require regular payments of principal and interest. See column 13, lines 52 – 55. In contrast, Applicant's system and method utilizes conventional liability vehicles which require regular payments of principal and interest.

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The account subsystem provides the individual the opportunity to make increased investments in designated asset accounts 16 instead of decreasing the principal of the mortgage.

4. Atkins requires that a minimum "loan to value ratio" is met prior to permitting any reallocation of principal payments. See column 16, lines 20 – 44. In contrast, Applicant's system and method creates "cash flow structures" and "cash flow events" without requiring conventional collateralization of assets prior to reallocation.

The system of the present invention allows the individual to choose among a wide variety of mortgage amortization options. In the example below, regular payments made to the account are used to amortize the mortgage until a certain pre-specified, loan-to-value ratio (LTV) (mortgage amount/home value amount) has been achieved. Having reached the pre-specified loan to value ratio, the financial institution applies the regular payments hierarchically, first to pay the interest on the mortgage and, second, to invest the remainder of the payment in such investment vehicles as will yield the optimal solution according to an optimization model. This model takes account of risk/return preferences, and personal and general economic and financial projections. As an alternative, the individual can choose to decrease a liability account other than the mortgage. Typically, the liability amount chosen will have a relatively high rate of interest, such as a credit card account balance. Other dynamic aspects of the HOME Account.<sup>TM</sup> system maintain a constant loan to value ratio as the value of the home increases over time. By advancing additional loans such as home equity loans secured by the home and one or more other asset accounts, the loan to value ratio is always maintained at a constant percentage. In a preferred embodiment, such percentage is 80%.

In view of the foregoing, Applicant submits that the claims currently pending are believed to be patentably distinct from the references of record including United States Patent No. 5,644,727 to Atkins. Accordingly, Applicant submits that Claims 33 through 57 are in condition for allowance, and early and favorable action to that effect is earnestly solicited.

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**Request for Interview**

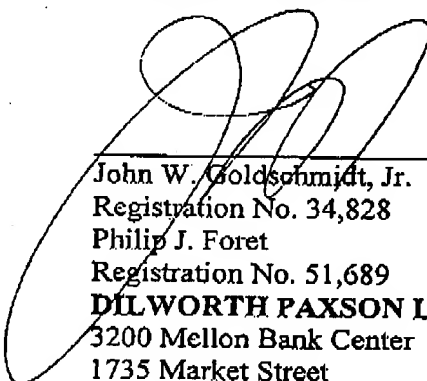
Applicant respectfully requests the courtesy of a telephonic interview with the Examiner upon receipt of this Amendment in order to expedite the prosecution of this application.

**CONCLUSION**

Wherefore, Applicant believes that all outstanding grounds raised by the Examiner have been addressed and respectfully submits the present case is in condition for allowance, early notification of which is earnestly solicited.

The Commissioner is hereby authorized to charge any deficiencies or credit any overpayment related to this submission to Deposit Account Number 50-0979.

Respectfully submitted,



John W. Goldschmidt, Jr.  
Registration No. 34,828  
Philip J. Foret  
Registration No. 51,689  
**DILWORTH PAXSON LLP**  
3200 Mellon Bank Center  
1735 Market Street  
Philadelphia, PA 19103-7595  
Tel. (215) 575-7000  
Fax (215) 575-7200

Attorneys for Applicant

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